

**MULTIMEDIA**



**UNIVERSITY**

**STUDENT ID NO**

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

**TRIMESTER 3, 2019/2020**

### **BAC4634 – CORPORATE ACCOUNTING II**

( All sections / Groups )

11 JUNE 2020  
9.00 a.m – 12.00 p.m  
( 3 Hours )

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#### **INSTRUCTIONS TO STUDENTS**

1. This Question paper consists of 7 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

**QUESTION 1**

Sambal Berhad acquired 75% of the shares in Belacan Ltd, which is situated in the land of Spicy on 1 January 2019. Belacan Ltd has high degree of autonomy and has the right to decide on its financing and operating decisions. The financial statements of the entities for the year ended 2019 are as follows:

<b>Statement of Financial Position as at 31 December 2019</b>		
	Sambal Berhad RM ('000)	Belacan Ltd S \$ ('000)
<b>Assets</b>		
Property, Plant and Equipment	4,500	4,100
Investment in Belacan Ltd	2,200	-
Inventory	750	150
Trade Receivable	1,350	700
Bank	590	300
	<u>9,390</u>	<u>5,250</u>
<b>Liabilities and Equity</b>		
Trade Payable	300	300
Ordinary Shares	5,000	3,000
Retained Profit	4,090	1,950
	<u>9,390</u>	<u>5,250</u>

<b>Statement of Profit and Loss and Other Comprehensive Income For the year ended 31 December 2019</b>			
	Sambal Berhad RM ('000)		Belacan Ltd S \$ ('000)
Sales		8,250	3,000
Opening Inventory	750		150
Purchases	4,500		1,200
Closing Inventory	<u>(750)</u>	<u>(4,500)</u>	<u>(150)</u>
Gross Profit		3,750	1,800
Expenses	900		750
Depreciation	<u>600</u>	<u>(1,500)</u>	<u>450</u>
Profit before tax		2,250	600
Tax		<u>(560)</u>	<u>(150)</u>
Profit After Tax		<u>1,690</u>	<u>450</u>

**Continued.....**

Additional information:

a) The relevant exchange rates are as follows:

	RM	S \$
1 January 2015	1	3.721
1 January 2019	1	3.650
31 December 2019	1	3.384
Average for year 2019	1	3.520
Average for year 2018	1	3.600
Opening inventory was purchased	1	3.650
Closing inventory was purchased	1	3.412

b) The property, plant and equipment was purchased on 1 January 2015.

**Required:**

In compliance with the MFRS 121: *The Effects of Changes in Foreign Exchange Rates* and using the net investment method:

- a) Prepare the translated Statement of Profit or Loss for the year ended 31 December 2019.  
(2 marks)
- b) Prepare the translated Statement of Financial Position as at 31 December 2019.  
(4 marks)
- c) Compute the goodwill on consolidation.  
(2 marks)
- d) Prepare the reconciliation of the exchange difference for year 2019.  
(4 marks)
- e) Prepare the Consolidated Statement of Profit or Loss for the year ended 31 December 2019.  
(3 marks)
- f) Prepare the Consolidated Statement of Financial Position as at 31 December 2019.  
(10 marks)

(Note: all computations are to be rounded to its nearest thousands.)

**(Total: 25 marks)**

**Continued.....**

**QUESTION 2****Part A**

Entity A has identified the following operating segments. The relevant information of each of the segments are as summarised in the table below:

Segment	Total Assets RM('000)	Total Revenue RM('000)	Profit/ Loss RM('000)
S	100,000	44,000	8,000
T	62,000	30,000	4,000
U	42,000	12,000	(4,000)
V	28,000	14,000	(2,000)
W	28,000	16,000	2,400
X	14,000	6,000	1,600

**Required:**

- a) Determine how many reportable segments Entity A has.  
(9 marks)
- b) In accordance with MFRS 8: *Operating Segments*, discuss the four (4) issues to be considered in determining an entity's operating segments.

(4 marks)

**Part B**

Hohaa Berhad prepares financial reports at the end of 31 December each year. Besides, the company also prepares half-yearly interim reports. For the year 2019, Hohaa Berhad has the following incidences:

- a) Incurred development cost of RM 1 million on 1 April 2019. However, the technical and commercial feasibility was established only on 1 July 2019.
- b) Hohaa Berhad planned to introduce new products in the first quarter of 2020. Hence, significant advertising costs of RM 2.5 million were incurred in year 2019 and a total of RM 5 million was recognised in year 2020's budget.
- c) Cost of inventory for the period ended 30 June 2019 amounted to RM 2 million. The net realisable value of the inventory on the same date recorded RM 1.8 million. At the end of the year, the net realisable value of the inventory was estimated to be RM 2.2 million.
- d) Hohaa Berhad owns an office building with book value of RM 11 million as at 30 June 2019. The market value of the building was estimated to be RM 10 million. The market value has further declined to RM 9 million at the end of 31 December 2019.

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**Required:**

In accordance with MFRS134: *Interim Financial Reporting*, determine how the above transactions shall be accounted for in the interim report for the period ended 30 June 2019 and 31 December 2019.

(12 marks)

**(Total: 25 marks)**

**QUESTION 3****Part A**

Jiki Berhad has the following financial statement as at 31 December 2019:

<b>Jiki Berhad</b>	
<b>Statement of Financial Position as at 31 December 2019</b>	
<b>Assets</b>	<b>(RM)</b>
Plant (Net)	4,000,000
Research and Development	16,000,000
Cash	5,400,000
Trade Receivable (Net)	5,400,000
Interest Receivable	800,000
Inventory	2,000,000
<b>Total Assets</b>	<b>33,600,000</b>
<b>Liabilities and Shareholders' Equity</b>	
Trade Payable	5,920,000
Loan Payable	9,300,000
Provision for warranties	300,000
Deferred tax liability	4,200,000
Share Capital	10,380,000
Retained Earnings	3,500,000
<b>Total Liabilities and Shareholders' Equity</b>	<b>33,600,000</b>

Additional Information:

- Tax laws allow only specific bad debts. The carrying amount in the trade receivable account is after the provision of 10% provision of doubtful debts.
- Interest receivable is recorded on accrued basis however is taxable only upon receipt.
- The carrying amount of plant is after providing accumulated depreciation of RM 6 million. As at 31 December 2019, total capital allowance given to the plant is RM 7.2 million. The plant was acquired on 1 January 2017 and the expected useful life is 5 years.

**Continued.....**

- d) Tax laws allow the research and development costs to be written off immediately upon incurred.
- e) Tax laws allow the warranty costs to be claimed upon incurred.
- f) Tax rate has been reduced from 35% (last year) to 30% (this year).
- g) The balance in the deferred tax liability account is the carried forward balance from the last accounting period.

**Required:**

In accordance with MFRS 112: *Income Taxes*, calculate the amount of deferred tax and tax expenses charged in the financial statement of Jiki Berhad for the year 2019.

(18 marks)

**Part B**

On 30 June 2019, Vivo Berhad granted one of its directors the right to choose either 160,000 shares or receive a cash payment equal to the current value of 100,000 shares at the settlement date on 1 July 2020. On 30 June 2019, the share price was RM 4 and the estimated fair value of the share alternative was RM 3.50 per share. The share must be kept for 2 years if the director chooses the share alternative.

Besides, on 30 June 2019, the company acquired a machinery costing RM 20 million in the market. After negotiation with the supplier, the supplier agreed to accept the payment for the machinery either in cash or shares. The supplier has the option to choose either 5 million shares of the company which will be issued in six months' time or receive cash payment equivalent to 4 million shares in three months' time. On 30 June 2019, the share price of the company was RM 4. It is estimated that the shares price in three months' time will be RM 5.50 per shares and will increase to RM 6 in six months' time.

**Required:**

In accordance with MFRS 2: *Share-based payment*, show the journal entries of the above transactions as at 30 June 2019.

(7 marks)

**(Total: 25 marks)**

**Continued.....**

**QUESTION 4****Part A**

Goodview Berhad issued RM 20 million 6% convertible loan notes on 1 January 2017. Upon maturity on 31 December 2019, the holders of the loan notes have the option to accept cash or convert the notes into ordinary shares at the term of RM 100 loan notes can be converted into 50 ordinary shares. The market interest rate for the year 2017 was 10%.

**Required:**

In accordance with MFRS 9: *Financial Instruments*:

- a) Determine the loan amount over its maturity period. (5 marks)
- b) Determine the relevant journal entries in the book of the company over the maturity period of the loan notes. (4 marks)

**Part B**

Delco Berhad operates a defined benefit plan. At the end of the year, the company has the following information:

- The value of liability on 31 December 2018 was RM 4,000 million while the value on 31 December 2019 was RM 4,800 million.
- The fair value of the plan assets on 31 December 2018 was RM 3,940 million while the value on 31 December 2019 was RM 4,500 million.

On 1 April 2019, the company decided to amend the plan to improve the benefits to the employees. The actuary estimated that the related cost pertaining to the amendment was RM 50 million. Besides, the increase in the liability resulting from the employee service in the current period was RM 140 million. A total of RM 120 million was contributed to the plan by Delco Berhad for the year. The benefits paid to the former employees in the year was RM 90 million. The interest rate for the year 2019 was 10%.

**Required:**

In accordance with MFRS 119: *Employee Benefits*:

- a) Calculate the net measurement gain or loss that will be included in Delco Berhad's other comprehensive income for the year ended 31 December 2019. (5.5 marks)
- b) Calculate the net pension asset or liability that will be included in Delco Berhad's Statement of Financial Position as at 31 December 2019. (2.5 marks)

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**Part C**

WIV Berhad has two cash-generating units, CGU1 and CGU 2, with the following statement of financial position:

	<b>CGU 1</b> <b>RM'000</b>	<b>CGU 2</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
Brand	50,000	10,000	60,000
Plant and Equipment	80,000	50,000	130,000
Development cost capitalised	12,000	6,000	18,000
Inventories	24,000	16,000	40,000
<b>Total</b>	<b>166,000</b>	<b>82,000</b>	<b>248,000</b>

For the purpose of financial statement preparation, the company has carried out the following estimation:

	<b>CGU 1</b> <b>RM'000</b>	<b>CGU 2</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
Value in use (exclude inventories)	128,000	120,000	248,000
Fair value less cost to sell			
Unit as a whole	120,000	116,000	236,000
Plant and Equipment	74,000	44,000	116,000
Development cost capitalized	Nil	Nil	Nil

**Required:**

In accordance with MFRS 136: *Impairment of Assets*:

- Determine the impairment loss of the cash generating units.  
(2 marks)
- Determine the allocation of the impairment loss over the cash generating units.  
(6 marks)

**(Total: 25 marks)**

**End of Paper.**